ANNUAL REPORT -2002
SLEEMAN BREWERIES LTD.

A UNIQUE RECIPE FOR GROWTH

QUALITY

TRADITION

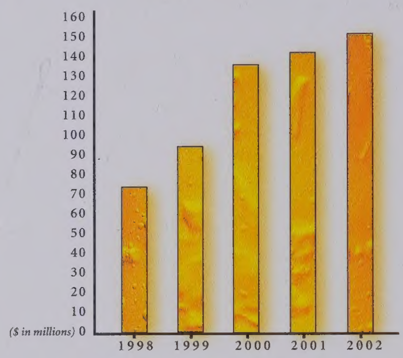
COMMITMENT

FINANCIAL HIGHLIGHTS

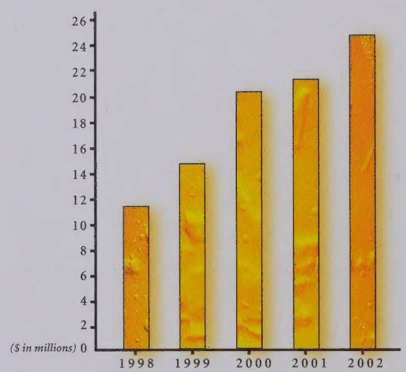
(in thousands of dollars except volumes and per share amounts)

	2002	2001	% Change
Total volume (HL)	*1,122,000*	*1,024,000*	*10*
Net revenue	*157,053*	*141,615*	*11*
Operating profit (EBIT)	*24,528*	*21,365*	*15*
Net income	*12,321*	*9,765*	*26*
Earnings per share (fully diluted)	*.77*	*.63*	*22*
Shareholders equity	*90,197*	*73,088*	*23*

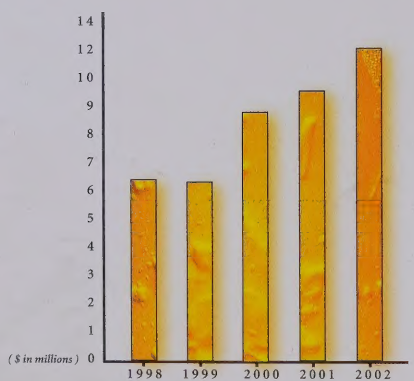
Total Sleeman Breweries sales volumes (including core & agency brand volumes)
Note: Sleeman's financial performance is often stated in terms of sales volume, expressed in hectolitres of beer (HL)
A hectolitre is approximately 12.2 cases of 24 bottles



NET REVENUE ($ in millions)



OPERATING PROFIT EBIT ($ in millions)



NET INCOME ($ in millions)

HIGHLIGHTS

Built a new distribution warehouse and office at the Vernon facility and expanded Vernon brewery to supply all Rainier volume for BC and Alberta

Launched new product in Western Canada, Okanagan Spring 1516 Bavarian Lager, as a replacement for Okanagan Spring Pilsner and based on the Bavarian Purity Law of 1516

Modified the canning facility in Guelph to produce all Sleeman canned products, including Sleeman Cream Ale in its distinctive new heritage-shaped can

Repackaged Old Milwaukee in a "suitcase" pack providing a more convenient way to carry and store 24 cans and supported the new look with billboard and radio campaigns in Ontario

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ɔttish pale ale) in Canada

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bottled-beer product

ıtroduced three products to the U.S. market – Sleeman
Ioney Brown, Cream Ale and Dark – each in the 6-bottle
ɔrmat and a Sleeman mixed dozen sample pack

ɑunched Sleeman Honey Brown Lager in the heritage-shaped
ɑn in Western Canada and Ontario

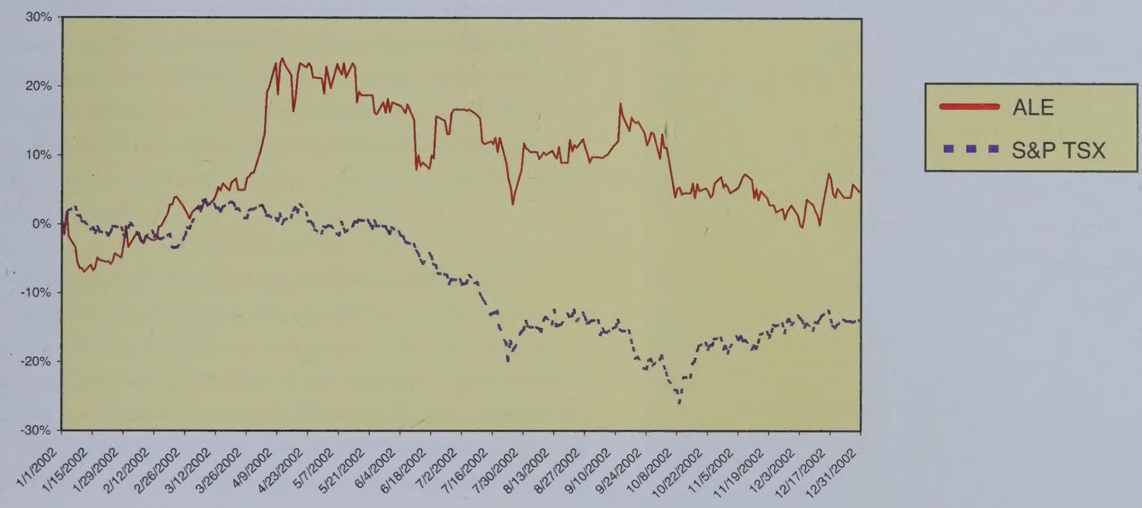
COMPETITIVE STRENGTHS

- Third largest brewer in Canada with nationwide production facilities, sales and marketing staff, and distribution infrastructure
- Focused on the two growing segments of the Canadian beer market - premium and value
- A partner of choice for international brewers
- Quality products with recognized brand names and a mix of national, regional, and imported brands
- Strong, experienced management team

GROWTH STRATEGIES

- Focus on cost control and deploy cash flow to high internal return on investment initiatives
- Support brands with aggressive coast-to-coast marketing programs
- Improve sales, broaden distribution and increase shelf space for owned and agency brands
- Refocus market development initiatives in the U.S.
- Investigate new or expanded strategic partnership opportunities with international brands
- Evaluate acquisition and expansion opportunities - from both operational and financial standpoints

STOCK PERFORMANCE CHART



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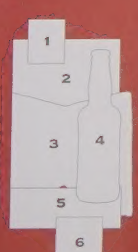
CORPORATE OVERVIEW

Sleeman Breweries Ltd. is the leading brewer and distributor of premium beer in Canada and the third largest brewing company nation-wide. The Company has supplemented its core Sleeman brands, which are available in every province, with a family of exceptional regional brands. These include Okanagan Spring and Shaftebury in British Columbia and Alberta, Upper Canada in Ontario, Seigneuriale in Quebec and MacLays in Atlantic Canada. Sleeman entered the rapidly growing value price segment in 1999 by acquiring the Stroh portfolio of brands in Canada.

The company markets and distributes world-class imported products such as Grolsch, Pilsner Urquell, Samuel Adams, Scottish & Newcastle, and Strongbow Cider, and provides contract production for Japan's Sapporo products sold in the United States. Sleeman is also available in selected U.S. and British markets.

CANADIAN BREWING FACILITIES

1 - VERNON, BC
2 - CALGARY, AB
3 - GUELPH, ON
4 - BOUCHERVILLE, PQ
5 - HALIFAX, NS



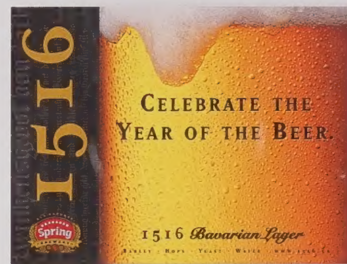
FRONT COVER LEGEND

1 - OKANAGAN SPRING BREWERY
2 - SLEEMAN BREWERY, GUELPH
3 - ORIGINAL RECIPE BOOK, PG 64
4 - CREAM ALE BOTTLE
5 - BREWHOUSE, HALIFAX
6 - LA BRASSERIE SLEEMAN, QUEBEC

OPERATIONAL HIGHLIGHTS

Launched distinctive heritage-shaped 330 ml Sleeman Cream Ale can as well as the 5-litre party keg

Built a new distribution warehouse and office at the Vernon facility and expanded Vernon brewery to supply all Rainier volume for BC and Alberta



Launched new product in Western Canada, Okanagan Spring 1516 Bavarian Lager, as a replacement for Okanagan Spring Pilsner and based on the Bavarian Purity Law of 1516

Acquired long-term marketing, sales and distribution rights for Grolsch (an internationally renowned Dutch brewer)

Modified the canning facility in Guelph to produce all Sleeman canned products, including Sleeman Cream Ale in its distinctive new heritage-shaped can

Repackaged Old Milwaukee in a "suitcase" pack providing a more convenient way to carry and store 24 cans and supported the new look with billboard and radio campaigns in Ontario

Obtained exclusive rights to manufacture, distribute and sell MacLays (a traditional Scottish pale ale) in Canada

Signed agreement with Sapporo Breweries Ltd. to brew all Sapporo bottled-beer product for the United States

Introduced three products to the U.S. market – Sleeman Honey Brown, Cream Ale and Dark – each in the 6-bottle format and a Sleeman mixed dozen sample pack

Launched Sleeman Honey Brown Lager in the heritage-shaped can in Western Canada and Ontario

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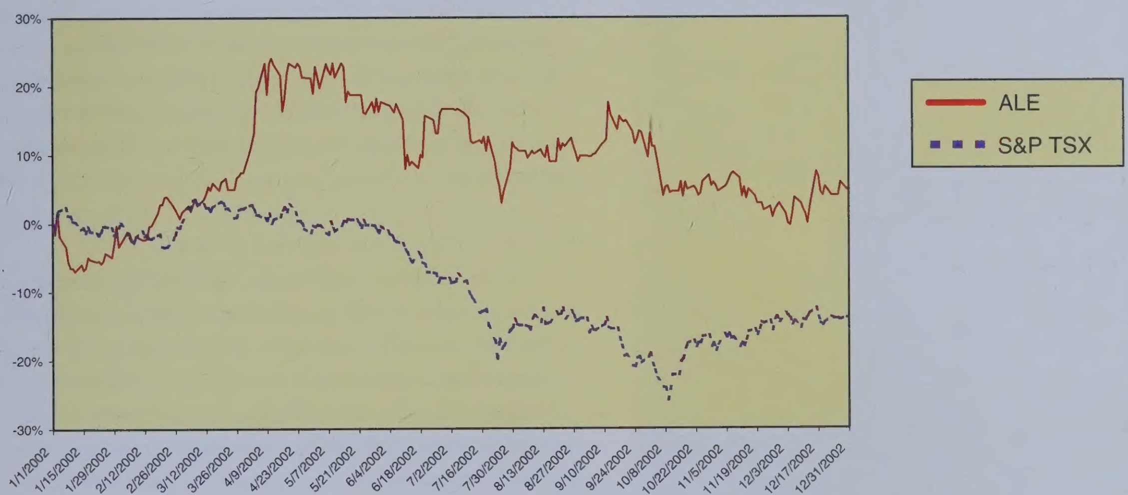

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Rick Knudson
PRESIDENT & COO

John Sleeman
CHAIRMAN & CEO

We outpaced the industry in each quarter

MESSAGE TO

TRADITION, QUALITY AND COMMITMENT DRIVE SALES IN 2002

Two thousand and two was a solid year for Sleeman Breweries. During the year, the Company increased market share and sales volumes.

Sleeman achieved another year of record sales despite: an unusually cold spring in Eastern Canada; an excise tax increase in Alberta; changes in the management team; and a fiercely competitive business environment. Maintaining its position as the third largest Canadian brewer, Sleeman achieved an 11 per cent increase in revenue and a 26 per cent gain in net income. We outpaced the industry in each quarter and continued to surprise the competition with innovative marketing and advertising campaigns that drove growth in our business throughout the year.

We expect this momentum to continue in 2003. Sleeman's unique product mix, innovative packaging, increased focus on cost control and renewed management team support our commitment to quality in all aspects of our business.

MARKETING AND ADVERTISING

Brewing industry competitors continued to ramp up marketing and advertising spending in 2002. Accordingly, Sleeman increased its marketing support across the country. A key initiative this year involved shifting a portion of our sales and marketing costs into the second and third quarters so that these programs coincided with our peak selling period. It is essential to build excitement around our brands during this period.

This initiative yielded impressive results and it was a key driver of our sales success this year. We fully intend to repeat this strategy in 2003 and beyond.

MARKETS AND BRANDS

Sleeman's portfolio of brands focuses on the two growing segments of the Canadian beer market – premium and value. Both segments in our balanced portfolio saw strong growth during 2002.

On a volume basis, value brands led growth this year. Extensive marketing and repackaging for Old Milwaukee and other products yielded strong results.

Across Canada, improved and unique packaging of our premium products helped target a new group of younger drinkers, age 25 and up. The successful launch of Sleeman Cream Ale in 330 ml and 5-litre cans in Ontario and British Columbia far exceeded our expectations. Our brewery personnel and distribution centre operators across the country

responded remarkably to the challenge of meeting demand for these products. As a result of this outstanding teamwork and our increased marketing investments, our Sleeman business is again growing in the key Ontario market.

Sleeman is the third largest brewer in Canada with five brewing facilities across the country, holding close to six per cent market share nationally. We aim to expand our market share to seven per cent by 2005.

In the U.S. market, Sleeman plans to take a cautious and prudent expansion approach. Our U.S. business partners' recent business difficulties have resulted in a re-evaluation of our strategy for this huge market. Currently, we have initiatives in New England, Pennsylvania and the upper Midwest, and our first objective is to maximize the payback on marketing and sales investments that we have made in these markets. We want to prove that we are able to drive core business growth for Sleeman brands in these markets before expanding into other areas of America. The U.S. experience of our renewed management team (introduced below) will play an important part in refining our strategy going forward.

International Partnerships

Sleeman has become a partner of choice for international brewers looking for a North American company to distribute or manufacture their products in Canada. During 2002, Sleeman signed the following international agreements:

- Manufacture, distribute and sell MacLays – a traditional Scottish pale ale – in Canada;
- Market, sell and distribute Grolsch – internationally renowned Dutch products – across Canada; and,
- Brew all Sapporo bottled-beer product for the United States, where it is the number one selling Japanese beer.

These agreements enhance our presence in the global brewing industry. As the import segment of the Canadian beer market continues to grow, Sleeman will continue to investigate new or expanded strategic partnership opportunities with the owners of leading international brands.

Renewed Management Team

Over the year, Sleeman rebuilt its management team:

- Rick Knudson, previously Managing Director for Western Canada, was appointed President and Chief Operating Officer;
- Dan Fox, previously Vice President, Domestic Brands and Business Development, was appointed Managing Director, Ontario and Atlantic Canada; and,
- Steve Pelkey, previously Okanagan Spring's Director of Marketing, was appointed Managing Director, Western Canada.

A Comment from Rick Knudson

As you can see throughout this Annual Report, 2002 was a good year for Sleeman as we successfully built sales volumes in both the premium and value portfolios of the business nationally.

The new year brings with it both new challenges and new opportunities and, with the assumption of my new role, new responsibilities. Sleeman's corporate heritage has been built on tradition, quality and commitment – and these will continue to be at the centre of everything we do.

In looking at 2003, I firmly believe that the renewed management team will lead our Company in achieving further growth and enhanced profitability.

We are confident that the experience, leadership and vision that these team members bring to their new roles strongly position Sleeman for execution of its aggressive growth strategy. This outstanding team brings significant breadth and depth of expertise in the beer industry and will be focused on driving shareholder value in 2003.

Sleeman is the third largest brewer in Canada with five brewing facilities across the country

Momentum

Our 2002 operating results confirm that our strategy is sound. The choices we have made are being confirmed by increasing sales, and we are proud of our accomplishments.

Going forward we will maintain our brand growth momentum. In 2003, we are renewing our commitment to cost control and we expect to improve efficiencies in our processes across the Company.

To ensure future growth, we remain focused on our objective to generate strong financial returns. Specifically, we will:

- Focus on cost management;
- Support our brands with aggressive coast-to-coast marketing programs;

This **outstanding team** exhibits significant **breadth and depth** of expertise in the **Canadian beer industry.**

- Seek to improve sales, broaden distribution and increase shelf space;
- Advance our refocused market development initiatives in the U.S.;
- Investigate new or expanded strategic partnership opportunities with international brand owners; and
- Evaluate acquisition and expansion opportunities – from both operational and financial standpoints.

A new seasoned management team is in place and our Company's goal of increasing market share and sales volumes profitably will be a priority for 2003. Here are some specific, measurable, financial goals we will continue to focus on over the next few years:

- We are aiming to grow EBITDA as a percentage of average capital employed to 22 per cent by fiscal 2006. In fiscal 2002, it was 18.5 per cent;
- During the same time frame, we want to grow EBITDA to approximately $42 million, from $30 million in 2002; and
- We are targeting net income growth of 10 to 15 per cent a year, again through to 2006.

We are well positioned to meet these targets.

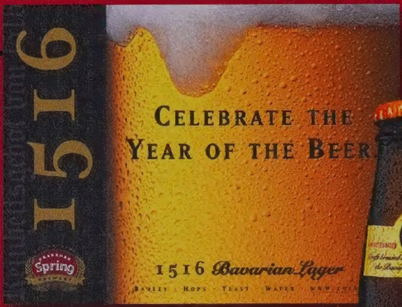
Our Thanks

The Company's success in 2002 resulted from the combined efforts of many people. I recognize and thank our employees for their dedication and hard work, and our Board of Directors for their active counsel and guidance. All of our efforts were buoyed by your continuing confidence in this Company. We are a dynamic and innovative growth organization operating in an exciting industry and we remain committed to generating shareholder value in 2003.

Yours sincerely,

John Sleeman
Chairman & CEO


SLEEMAN
Cream
ALE
SLEEMAN
BREWERY
1834
SLEEMAN
THE REASON IMPORTS
ARE GREEN.



Western Canada

"The launch of Sleeman Cream Ale and Honey Brown Lager in a unique shaped can provided an opportunity for us to compete in new segments of the BC and Alberta markets, where 50 per cent of beer is sold in canned format."

Double-digit volume growth drove sales in Western Canada in 2002. We achieved record market share and saw significant earnings growth across the region. Premium brands grew in British Columbia, Alberta, Saskatchewan and Manitoba, while value brands grew in each province, except Alberta where a hefty beer tax was implemented unexpectedly on March 15, 2002.

Growth in this region was driven by core brand families led by Sleeman

Growth in this region was driven by core brand families, led by Sleeman. In BC, additional growth was fuelled by the incredibly successful introduction of Okanagan Spring 1516. The Sleeman portfolio drove growth in the other provinces.

Other ingredients that contributed to our success in the West included: our Vernon brewery capacity expansion enabling local supply of all the Rainier volume for BC and Alberta; building a new distribution warehouse and office at the Vernon facility in the spring of 2002; and the addition of import brands to Western Canada's portfolio, including Strongbow Cider and Grolsch products.

ONTARIO

"Looking ahead to 2003, the regional management team anticipates further small-scale refinements to marketing and promotional plans. This will continue to leverage the success of our premium and value brands, while remaining alert to competitive initiatives and applying an increased focus on improving the value-for-money efficiency of our organization."

In 2002, Sleeman Cream Ale was targeted at a slightly younger customer audience. Exterior packaging was re-designed and the brand family was given a line extension in the form of the new heritage-shaped aluminium 330-ml cans and 5-litre kegs. Additional promotional support was provided through a distinctive new 'label-free' radio advertising campaign and breakthrough outdoor executions.

Sleeman's exceptional sales performance in the large Ontario marketplace in 2002 resulted from the evolution of marketing strategies that substantially repositioned our flagship premium Sleeman Cream Ale, as well as from the growth of certain brands in our value portfolio.

Promotional support was provided through a distinctive new "label free" radio campaign

The consumer's interest in premium beer presented an opportunity for Sleeman brands to be positioned as a 'great Canadian beer' appealing to import drinkers, whose primary focus was on product quality attributes rather than national origin.

Promotional and pricing enhancements were also applied in the value portfolio, notably the re-packaging of the Old Milwaukee brand and the innovative addition of a large can of Old Milwaukee in selected cases of 24 bottles, producing another double-digit increase in volumes and sales.

In concrete terms these activities resulted in a 12 per cent increase in sales and a significant improvement in brand profitability in 2002.

QUEBEC

"Sleeman's performance in Quebec in 2002 was the sole regional exception to substantial gains in volumes and sales across the country. However, through progress on several elements of our growth strategy, combined with further strategic initiatives, we expect to reverse this situation in 2003."

Sleeman **Rousse** Ale was **extremely successful** and strongly positioned us as a **major player** in this **fast growing segment**

Last fall Sleeman was awarded the Gold medal in the beverage category of the CASSIES awards - Canadian Advertising Success Stories. The most prestigious advertising award program in Canada, CASSIES recognizes both creative excellence and attainment of measurable results.

Quebec's competitive environment was tougher than we anticipated in 2002. A flat market along with unprecedented minimum floor pricing by mainstream brands created a challenging market for our Sleeman and value brands, resulting in flat sales year over year.

Despite the competitive environment in Quebec, Sleeman made many advances in this region:

- In 2002, we benefited from the smooth integration of the Northern Goose distribution network acquired in late 2001. Owning our distribution platform has already improved efficiency and EBITDA contributions from this acquisition have surpassed expectations;
- The launch of the Sleeman Rousse Ale was extremely successful and strongly positioned us as a major player in this fast growing sub-segment in Quebec. New offerings were also introduced in the Stroh portfolio as brand extensions; and
- In late 2002, we signed a multi-year contract with Quebec rock singer Eric Lapointe. The first of its type in Quebec, the agreement makes Old Milwaukee Dry the main sponsor of Lapointe's tours. We have received very positive feedback on this initiative.

We expect results from these plans to fuel improved performance in Quebec in 2003.

MARITIMES

"In 2002, we continued to build Sleeman's presence in the Maritimes. Acknowledging that the Company is still establishing itself in this marketplace, we were very encouraged by the double-digit volume growth of our brands and the increasing customer recognition."

The Maritimes are distinguished from most other regions of this country as having a much smaller proportion of total beer sales in the premium, value and import segments. Sleeman Cream Ale, however, built upon its increasing national visibility and established brand equity and turned in good volume growth.

MacLays was an immediate hit and we were rewarded with very strong consumer acceptance

In the second quarter of 2002, we introduced our new MacLays Traditional Pale Ale as a mainstream segment entry in the Maritimes. MacLays is a traditional Scottish beer with a refreshing, easy drinking character, a light gold color and a clean finish. As a result of extensive promotion and marketing support, this new beer was an immediate hit. We were rewarded with very strong consumer acceptance and substantial volumes, which we expect to grow going forward.

Sleeman plans to continue investing in its offerings in this marketplace. The Halifax brewery operations were a cornerstone of our success in this region in 2002. We look for further production increases at this facility in 2003 as it continues to form an integral part of our programs to build volumes and sales throughout the Maritimes.

UNITED STATES

"Looking ahead to 2003, we hope to capitalize further on the promising distribution strategy that we are developing in the initial test markets. Complementing this self-managed distribution strategy, we expect to announce and implement a separate distribution plan with a key partner that would reach additional states and markets over the next few years."

Sleeman's progress in the United States produced mixed results for the year 2002, largely as the result of business difficulties experienced by our partners. These partners were focused on their own business challenges and thus they were unable to advance our distribution strategies for this market.

More positively, however, the Company successfully refined its product offering. We found a strong preference for our Sleeman Cream Ale and Honey Brown Lager over the more mainstream product we originally targeted to U.S. customers. Our genuinely Canadian taste and unique packaging provided significant points of distinction for U.S. beer drinkers. These points of distinction are further supported by our position as Canada's leading craft brewer.

Our genuinely Canadian taste and unique packaging provided significant points of distinction for U.S. beer drinkers

"Like Sleeman, the owners of leading international beer brands stake their reputations on product quality, and this makes our Company a natural partner for them to build their North American businesses."

Sleeman is the partner of choice for many international breweries looking to build their North American presence

In 2002, Sleeman made considerable progress in executing its international partnership strategy. Late in 2001, Interbrew bought Beck's and as a result we sold our Beck's Canadian sales, marketing and distribution agreement for a one-time gain early in 2002. Subsequently, we replaced this volume with three new agreements. In the second quarter, we inked a deal with MacLays to manufacture, distribute and sell its traditional Scottish beer in Canada.

Shortly after that, we signed an agreement to market, sell and distribute Grolsch, internationally renowned Dutch products, across Canada. In the fourth quarter, we started to brew all Sapporo bottled-beer product for the United States, where it is the number one selling Japanese beer.

As the third largest brewer in Canada, Sleeman is the partner of choice for many foreign companies looking to penetrate the Canadian market. We have great experience in the marketing and sales of international brands as well as a coast-to-coast distribution platform. As a result, we have built a diversified international portfolio of brands.

Boston Beer Company

The Samuel Adams brand has won awards around the world and traces its roots to Samuel Adams, an 18th century brew master and American patriot. Samuel Adams continues to be enjoyed by consumers in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Nova Scotia.

H.P. Bulmer

H.P. Bulmer is the world's leading manufacturer of cider with plants in the United Kingdom, United States, Australia, Belgium and New Zealand. Strongbow Cider is the world's best-selling dry English-style cider and is the leading imported cider brand in Canada. Sleeman continues to grow brand awareness of this unique product.

Grolsch

The Royal Grolsch N.V. brewery, located in The Netherlands, was founded in 1615 and its products are enjoyed in more than 50 countries worldwide. Grolsch's award-winning Premium Lager is renowned for its distinctive flavour and packaging. Sleeman markets, sells and distributes Grolsch Premium Lager, other Grolsch and Navigator of Holland products across Canada.

MacLays

MacLays' ales have been sold in Scotland for the past 170 years. In Canada, Sleeman produces MacLays Traditional Pale Ale in our Halifax facility, and we currently sell this product in Nova Scotia, Prince Edward Island and New Brunswick.

Sapporo

The Sapporo brand is recognized around the world and has been the number one selling Japanese beer in the U.S. market for the past 17 years. Since December 2002, Sleeman has provided contract production for Sapporo's bottled products to be sold in the United States.

Scottish & Newcastle

One of the world's largest brewing companies, Scotland's Scottish & Newcastle brands include Newcastle Brown Ale, McEwan's Scotch Ale and Kronenbourg. Sleeman represents all of these brands in Western Canada through the Okanagan Spring Brewery.

South African Breweries

The world's second largest brewer, South African Breweries owns 43 breweries in 20 countries. In 1999, it purchased Pilsner Urquell, the world's first golden beer, which originated in 1842 in Pilsen, Czech Republic. Pilsner Urquell is enjoyed in 50 countries and is represented by Sleeman across Canada.

Expanding our presence in the global brewing industry remains a key ingredient of our growth strategy.

Specifically, as we increase the size of our international portfolio, we provide bars, restaurants and retailers with one-stop shopping. Pursuing international agreements also provides the opportunity for Sleeman to set up reciprocal agreements as we explore selling our products in foreign markets in the long-term.

There are still many international partners out there for Sleeman. In 2003, Sleeman will continue to pursue new strategic alliances.

COMMITTED TO A DYNAMIC CORPORATE CULTURE

At Sleeman, we provide an atmosphere that fosters innovation, entrepreneurship and flexibility for our employees. We encourage team members to make decisions and we reward them for making positive contributions – with promotions, professional development opportunities, internal and external training, and career growth. To keep our working environment full of exciting challenges and opportunities, we have launched various initiatives at Sleeman.

National Policy & Procedures Manual – updated in 2002. As we study industry best practices, we identify new ways to do things at Sleeman. We updated our National Policy & Procedures Manual to reflect these changes.

We encourage team members to make decisions and we reward them for making positive contributions.

Employee Handbook - launched in 2002. A handbook was created to send a consistent message to all employees and to give them the tools to identify various processes and benefits of the organization.

Sleeman Recognition Program - introduced in 2002. This program was designed to: promote awareness of the Company's values; encourage the recognition of employees who demonstrate exemplary commitment to these values; and acknowledge the contributions made by employees throughout the organization.

Employee Stock Purchase Plan - revised in 2002. This plan promotes broad-based ownership of the Company and encourages employees to further develop the entrepreneurial spirit of the organization.

National Employee Survey - under way in 2003. We will launch this survey to measure factors in the organization that affect retention. The results will help with the long-term planning and the achievement of our corporate goals and values.

Sleeman continues to be known as a destination employer and these initiatives will help the Company grow in 2003 and beyond.


STILL NOT AVAILABLE
IN TORONTO.
UNPASTEURIZED
NO PRESERVATIVES
ALL NATURAL
OKANAGAN
Spring
BREWERY
Extra Special
PALE ALE
CRAFT BREWED BEER

E X E C U T I V E

1. What are Sleeman's plans for capacity expansion?

(John Sleeman, Chairman & CEO)

In 2002 our business saw considerable volume growth. This growth, combined with our agreement to produce all of the Sapporo bottled beer for the U.S., has pushed up our needs for capacity expansion. We look three to five years into the future to assess the capacity required to support our growth objectives. Sleeman is currently in a position where it is comfortably equipped to meet the expected demand for our products in 2003 and 2004. We are, however, in the process of evaluating potential capacity expansion opportunities to ensure that we will be prepared to handle demand in 2005 and beyond.

2. What are Sleeman's main priorities for 2003?

(John Sleeman, Chairman & CEO)

Our main priority is to deliver the profitability that the investment community has come to expect from Sleeman. Our goal is to increase profitability in 2003 by 15 per cent over 2002 and that translates to 15 per cent growth in earnings per share as well. Despite a soft economic environment, we maintain our commitment to growth this year and our renewed management team will ensure that the Company remains focused on cost control. We are a results driven Company and we will do our best to meet expectations in 2003.

3. How does Sleeman prioritize its United States expansion?

(John Driggers, Managing Director - US Export)

First, I think it's important to recognize that Sleeman is still in the fledgling stage in a market that is both larger and considerably more diverse than Canada. That said, we are receiving lots of interest and our product is being well received.

Although our U.S. distribution partners' own business difficulties slowed our expansion in 2002, we are now more confident than ever that we have a sound strategy for building the Sleeman brand in this marketplace. Our strategy is to demonstrate solid organic growth and profitability in each geographic market we serve, before looking further afield.

This "walk-before-we-run" approach will ensure that we are reliably meeting our customers' distribution, delivery and service expectations before we add new territories. We have already established solid markets for our product in the greater Boston area and in the upper Midwest and we would rather grow manageably by supporting our current customer base.

Our objective is to work with a new distribution partner in the United States, who will view the addition of the Sleeman brand as a strategic alliance that complements and rounds out

its total offering on a commercial basis, while permitting Sleeman to maintain its margins, control and focus on the business.

4. Subsequent to year end, Sleeman announced that a new Board of Directors was going to be overseeing the Company's Quebec operations. What forces drove this decision?

(Guy Letourneau, Managing Director - Quebec)

We are always looking for new ways to grow our business nationally, and in the Quebec region in particular. Early in 2003, we launched La Brasserie Sleeman du Québec Ltée, which is wholly owned by Sleeman Breweries Ltd. This subsidiary has been assigned a new Board of Directors, which is comprised of respected business professionals closely associated with the Quebec community. The creation of this new subsidiary and this new Board demonstrate our efforts to find new ways to connect with the Quebec customer and refine our strategy in this market.

5. How will the privatization of the distribution of liquor in BC affect Sleeman?

(Steve Pelkey, Managing Director - Western Canada)

The provincial government in British Columbia recently announced the privatization of liquor distribution in 2003. We are pleased to report that this initiative will actually feed Sleeman's growth strategy for BC because we are already equipped with the infrastructure required to become a fully independent beverage alcohol company. Sleeman's BC operation has an outstanding marketing team, a strong sales force, customer service experts and warehousing and distribution outlets that span the province. We have approached this issue proactively and have planned for the requirements associated with executing this initiative. Privatization will provide an excellent opportunity for brand growth in BC and Sleeman is well positioned to capitalize on this opportunity.

6. How will Sleeman's 2002 success in Ontario be repeated or extended in 2003?

(Dan Fox, Managing Director - Ontario & Atlantic Canada)

The Ontario market accounts for a significant amount of the Company's total profitability, so this is an important issue in 2003 and beyond.

The competitive landscape is never fixed and we must always be alert to the responses and initiatives of Canada's two major brewers who control about 90 per cent of the market.

For example, our value brand business strategy, generally, is to focus on the perceived total value we provide the consumer and not to lead the market on price, but we do respond quickly when confronted with a competitive pricing tactic. Our addition of an Old Milwaukee can to each case of 24 bottles last summer was a good example of this strategy in action because, although we effectively gave the customer more beer for the same price, our offer was presented and accepted on the basis of greater perceived value.

Our success in 2002 was the result of sound business analysis and planning in 2001 and we continue to maintain this forward looking approach into 2003. We plan to sustain small-scale refinements and improvements – evolutionary rather than revolutionary – that will continue to set our premium and value brands apart and deliver excellent performance.

7. How do you expect Sleeman's capital mix to change going forward?

(Dan Rogozynski - VP Finance & Administration)

Last year we achieved a 1:1 debt-to-equity ratio and that remains our long-term objective. However, we are not going to be tied to this capital mix in the short term. We are very comfortable with our position and in 2003 we plan to re-examine our long-term debt structure. We are focused on growing the Company and see opportunities to use the Company's free cash flow in that endeavour. We will ensure that management, our lenders and the Board of Directors are comfortable with our debt levels.

8. What factors are going to drive Sleeman's growth in 2003?

(Rick Knudson - President & COO)

Two key ingredients are going to drive growth in this Company going forward, the quality of our products and the strength of our people.

This Company, as it always has, invests in the quality of its products. Consumers depend on and expect a high level of quality from Sleeman's entire portfolio. We demonstrated organic growth across Canada in 2002 and substantial growth opportunities remain for Sleeman's current portfolio of products in 2003, both on the premium and value side. Although we have increased our focus on cost control, we will continue to support these brands with marketing and advertising initiatives in 2003.

Sleeman's decision to strengthen the management team in 2002 with internal promotions demonstrates both our commitment to hiring from within the organization and our confidence in the people we have working here. We have the right people in place to grow this Company and we will continue to recognize and reward employees appropriately. Our management team is now made up of individuals who know the industry and know the Company and this will provide stability for Sleeman going forward.

The following comments provide a review of the activities, results of operations and financial condition of Sleeman Breweries Ltd. for the twelve months ended December 28, 2002 in comparison with the twelve months ended December 29, 2001. These comments should be read in conjunction with the consolidated financial statements and accompanying notes. Unless otherwise noted, all amounts included herein are expressed in Canadian dollars.

DESCRIPTION OF BUSINESS

The Company markets, sells, produces and distributes bottled, canned and draft premium beer under the Sleeman, Upper Canada, Seigneuriale, Okanagan Spring, Shaftebury, MacLays and Maritime beer brand names. In addition, the Company imports, produces, distributes, markets and sells value beer brands under the Old Milwaukee, Rainier, Colt 45, Stroh, Pabst, Schlitz, Bull Max, Olympia, Lone Star and Big Bear brand names (the "Stroh brands"). The Company's products are primarily sold in the four largest beer markets in Canada: Ontario, Quebec, British Columbia and Alberta, though certain products are available in all Canadian provinces. The Upper Canada, Seigneuriale, Shaftebury, Maritime and Okanagan Springs brands are regional premium brands. Upper Canada is sold in Ontario, Seigneuriale is sold in Quebec, Maritime Brewery brands are sold in the Maritime provinces and Okanagan Spring and Shaftebury are sold in British Columbia, Alberta, Saskatchewan and Manitoba.

In Quebec and British Columbia, the Company distributes its products through wholly owned distribution companies. In Ontario, distribution occurs through The Beer Store and the Liquor Control Board of Ontario (LCBO). In the provinces of Alberta, Manitoba and Saskatchewan, the Company relies on outside agents to make local distribution arrangements. In the Maritime provinces, local liquor boards distribute and retail our products.

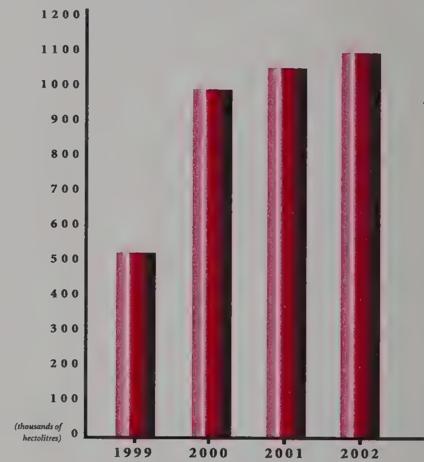
The Company represents various world-class international brands such as Bulmers Strongbow English Cider, Grolsch, Pilsner Urquell, Samuel Adams, and Scottish & Newcastle for the Canadian market. Agency fees are earned by the Company for the marketing and distribution of these brands.

The Company also provides contract production for Japan's Sapporo products sold in the United States.

REVIEW OF OPERATIONS 2002/2001

Sales volume is reported on a hectolitre basis - one hectolitre is approximately 12.2 cases of 24 bottles.

Net revenue, costs of goods sold and selling, general and administrative costs for 2001 have been reclassified to conform to the financial statement presentation adopted in the current period.



TOTAL SALES VOLUMES (thousands of hectolitres)

NET REVENUE

Total sales volume of the Company's core and agency brands increased by 10% from 1,024,000 hectolitres in fiscal 2001 to 1,122,000 hectolitres in fiscal 2002. The 2001 figure is a pro forma volume figure, which has been adjusted for the effects of new agency brands sold in 2002 and not sold in 2001. Core volumes reported in 2001 were 945,000 hectolitres. Core volumes for 2002 were 7% higher than this figure at 1,013,000 hectolitres. Agency brand volumes for 2002 were 110,000 hectolitres, representing a 39% increase over the 79,000 hectolitres the Company would have reported in 2001 for these brands had the Company sold all of these brands in 2001. Total volume growth compares favourably to the nominal industry growth of less than 1%.

In Eastern Canada, core volumes were 33,000 hectolitres higher than the volume total for 2001. Increases in value brand sales in Ontario and premium brand sales in Atlantic Canada more than offset lower sales volumes in Quebec. Quebec volumes and net revenues suffered from the effects of intense price competition in this market during the second and fourth quarters of 2002.

In Western Canada, core volumes increased by 35,000 hectolitres as the Sleeman brand continues to grow at very

strong rates in all Western Canadian provinces.

Net revenue of $157 million for the year was up 11% over net revenue of $142 million in fiscal 2001. Two percent of the gain resulted from the increased prices the Company received on the sale of its core brands throughout Canada in 2002. Another 2% of the increase in net revenue resulted from the higher agency brand representation fees the Company received in the year.

The increase in net revenue for the period would have been significantly higher if not for an unexpected beverage alcohol tax increase in Alberta early in 2002. The Company estimates that its Net Revenue and Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) would have increased by approximately $4 million if not for this provincial excise tax change. The estimated per share impact of this tax change on the Company's earnings per share was $0.17 per share.

Looking ahead, the Company expects net revenue to increase in 2003 due to the addition of the Grolsch sales contract and Sapporo production contract, both of which were signed in 2002. The Company is in discussions with other international beverage alcohol brand owners on becoming those companies' agent in Canada. Fees from such new representation agreements would add further to the revenue growth expected for 2003.

COST OF GOODS SOLD

Costs of goods sold were $79 million for the year compared to $69.4 million in 2001. The increase of $9.6 million (14%) is the result of the volume increase in core products in 2002, higher per unit costs of new products such as the Sleeman heritage-shaped can and 5-litre keg, and the cost of the free tall can promotional program for Old Milwaukee products launched in Ontario during 2002.

GROSS MARGINS

Average gross margin per hectolitre was $77 compared to $76 in 2001 as favourable pricing for the Company's products and increased agency sales more than offset the effects of the higher costs for new products and the Old Milwaukee tall can promotional campaign.

For 2003, the Company expects total gross margin and average gross margins per hectolitre on owned core brands to both increase due to continuing favourable pricing trends in all major markets, higher sales volumes, increased agency brand fee income and concerted efforts to control production and distribution costs.

Sapporo will be added to the Company's core brands in 2003. This is a contract manufacturing relationship and the related net revenues measured on a per hectolitre basis will be lower than those realized on owned core brands. In addition, as the majority of Sapporo products will be shipped in non-returnable containers to the United States, Sapporo related costs of goods sold per hectolitre will be higher than those costs for the Company's owned core brands. The overall effect of the Sapporo introduction to the Company's core brands will thus be to reduce the growth rate in the Company's average overall gross margin per hectolitre in 2003. The introduction of this business will add $2.5 million to the Company's total gross margin in 2003.

OTHER OPERATING ITEMS

Selling, general and administration expenses for fiscal 2002 increased to $51.6 million from $43.7 million. Of the $7.9 million increase in the year, 74% related to additional expenditures for sales and marketing. The remaining 26% increase related to additional plant overhead costs and increases in corporate overhead costs (notably, management change related costs and legal costs of approximately $1.3 million which were incurred in the fourth quarter of 2002 and charged against the operations of the Eastern business segment). The large majority of the increased sales and marketing expenditures incurred in 2002 were attributable to programs initiated in Eastern Canada to reinvigorate the Company's premium brand business in Ontario and Quebec.

The Company sold the Canadian sales, marketing and distribution rights for Beck's products in the year and reported a corresponding pre-tax gain of $3.6 million. This matter is described more fully in note 6 to the Company's 2002 audited financial statements.

EBITDA rose to $29.9 million in 2002 compared to $28.5 million in 2001 with average EBITDA per hectolitre remaining constant at $30. The Company expects total EBITDA to increase in 2003 due to expected volume increases in both Eastern and Western Canada, that may result from both the revenues generated from the production contract with Sapporo and the additional agency fees that will be earned on the Grolsch brands.

The Company's depreciation and amortization expense decreased by $1.7 million in the current year. Last year the company absorbed $2.8 million of charges related to the amortization of goodwill and indefinite life intangibles while this year did not. This resulted from the adoption of the new accounting standard for goodwill and indefinite life intangible

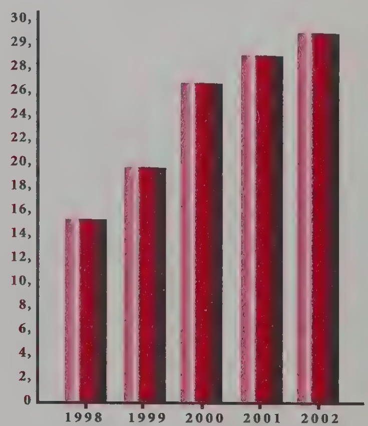
amortization. Details of this accounting change can be found in note 2(e) to the 2002 audited financial statements. This decrease was partially offset by additional depreciation on the Company's capital expenditures in 2002.

The Company's effective tax rate was approximately 34% in 2002 as it was in 2001.

Interest expense decreased to $6.0 million from $6.5 million in 2001. This decrease resulted from the lower prevailing market interest rates the Company paid in 2002 on its bank indebtedness and on the portion of its long-term debt which is not hedged.

EARNINGS PER SHARE

Net earnings available to shareholders were $12.3 million or $0.77 per fully diluted share in 2002, compared to $9.8 million or $0.63 per share in 2001. The number of weighted average common shares for 2002 was approximately 336,000 more than in 2001 as a result of the exercise of stock options and the issuance of 225,000 shares on the acquisition of the Grolsch contract in 2002.



EBITDA *(millions of dollars)*

FINANCIAL POSITION

There was an increase in net working capital in 2002 of $2.6 million. Accounts receivable increased by $4.1 million due to higher sales levels in the current year for both core and agency brands. Inventories increased by $3.5 million and accounts payable increased by $5.6 million as the Company's production in the last month of 2002 significantly exceeded comparable month production levels in the prior year. During this period the Company planned for its first shipments of Sapporo products in January 2003.

Property, plant and equipment increased by $2.6 million (net of depreciation) as the Company incurred capital expenditures to increase its production capacity to meet growing core brand demand and Sapporo production needs.

The note receivable resulted from the agency agreement sale in the year and is discussed more fully in note 6 to the audited financial statements.

Long term investments decreased by $0.5 million in the year. This decrease represents the net result of repayments by former executives and advances to new executives of amounts used to acquire Company shares during 2002.

Intangible assets increased by $9.1 million due to the acquisition of the rights to sell, market and distribute Grolsch products in the year.

LIQUIDITY AND CAPITAL RESOURCES

Long term liabilities (including the current portion) increased by $3.3 million in the year. The Company borrowed $11.1 million to fund fixed asset purchases and the purchase of the Grolsch contract in the year while repaying $7.9 million in the year.

Share capital increased by $4.8 million due to both the exercise of stock options by employees and former employees ($2.3 million) and the issuance of shares ($2.5 million) to the vendor as partial consideration for the Grolsch contract purchase in the year.

Cash flow from operating activities was $13.3 million compared to $18.9 million in 2001. This decrease resulted principally from the $3.3 million increase in the Company's working capital funding requirements in the period compared to last year.

Investing activities were consistent with the prior year. Although there were less cash requirements for business acquisitions and capital expenditures in the current year, additional cash was required to fund intangible asset purchases, notably the Grolsch contract purchase.

Financing activities generated $8 million in the year. These activities consumed $9 million in the prior year. The $17 million change resulted from the fact that the Company generated $4 million more from share issues and option exercises in 2002 and due to the fact that the Company received net proceeds from long term loans of $3.2 million in 2002 compared with its net repayments totaling $10 million in 2001.

The Company ended the period with an operating line of credit balance of $10.5 million. The Company's authorized operating credit limit is currently $22 million. In 2003, the Company plans to use its operating cash flow to finance its

purchases of capital and intangible assets and repay $9.7 million of long term debt. The Company plans to use its remaining operating cash flow, to further reduce its operating line of credit balance.

Sleeman does not currently pay dividends on its common shares. The Board of Directors of the Company believes that the cash flow of the Company at the current time should be reinvested in high internal rate of return projects which will drive future growth and shareholder value.

Although the Company has sufficient liquidity to meet its operating requirements and to finance its organic growth, it may be necessary to access additional funding to finance future growth opportunities. The Company is currently in discussions with its current lenders and with certain prospective lenders to achieve two objectives. First, the Company is working to reschedule its debt repayments for the next four years as the current scheduled repayments would result in the Company having reduced free cash flow over the next four years and no debt on its books at the end of this period. Second, the Company is seeking to increase its long term financing facilities such that the Company will be in the position to finance capacity expansion and/or acquisitions from committed facilities.

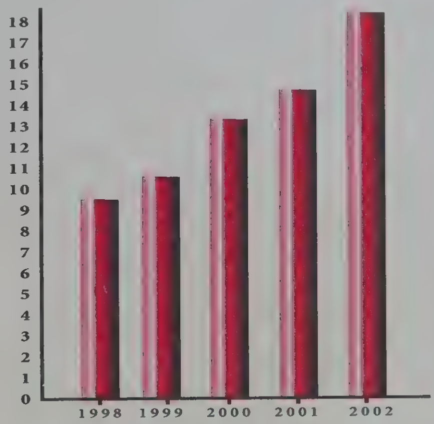
RISKS AND UNCERTAINTIES

Management believes that the Company has the resources to continue to compete and, in fact, grow in each major Canadian beer market and continue to test market its products in the U.S. The Company is currently the largest premium brewer in Canada and thus leads this growing segment of the market, which represents 12% of total Canadian beer sales of approximately $7 billion. The Company is also a significant competitor in the value beer business as a result of the Stroh brand acquisition in 1999. Value beer sales represent approximately 20% of all beer sales in Canada. The Company's presence in these two segments of the beer market in both Eastern and Western Canada leaves it well positioned to compete effectively and profitably.

The Company considers its main competitors to be other participants in the Canadian brewing industry, which include imported beer and specialty and value beers brewed by both small regional brewers and the national brewers. The markets for beer sales in all Canadian provinces are increasingly competitive and the Company believes it will continue to be very competitive in the future as the Company anticipates that volume in the Canadian beer industry will grow moderately over the next few years due to demographic factors. Existing regional breweries and craft brewers are increasing their production capacities and marketing programs. National brewers are aggressively promoting and pricing their own specialty and value brands as well as premium import brands. The Company must compete effectively with these competitors in its key focus areas of quality and innovation to continue to grow volumes and profitability. In addition, the Company must continue to develop strategic marketing programs to maintain and grow market share.

The scope of the Company's operating and financial systems, the geographic area of its operations, its increased relationships with international partners and customers have grown in a moderately short period of time, resulting in increased responsibilities for management personnel. The Company's future operating results will depend on the performance of its key senior management personnel and their ability, together with the ability of its officers and other key employees to continue to implement and improve its operating and financial systems, and to successfully manage relationships. The Company's success is dependent upon its ability to identify, hire, train, motivate, promote and retain highly qualified management. Competition for such employees is intense, and there are no assurances that the Company will be able to retain current key employees or attract new key employees. If the Company is unable to attract and retain the necessary personnel, this could have a detrimental impact on the Company's business, financial results, and financial position.

The Company continued to sell Sleeman branded products in certain U.S. markets in 2002 on a test basis. The U.S. market is ten times the size of that of Canada, but is more competitive than the Canadian market. In 2002, the Company launched the Upper Canada brand into the state of Michigan



EARNINGS BEFORE TAX
(millions of dollars)
31% 5-year Compound Growth Rate

and has received favourable responses. In 2003, the Company will continue to test market its products in select areas in order to minimize its financial risks. Successful results in the U.S. market would provide the Company with a significant opportunity to increase volumes and profitability. With respect to its U.S. sales, the Company is subject to risks associated with foreign sales, and exchange rate fluctuations.

The Company leases facilities located in the U.S. to produce a portion of its value brand products. The Company is subject to the risks of the lessor of this facility encountering financial or operational difficulties which may render this facility unavailable for the Company's use.

Various permits, licenses and approvals necessary for the operation of the Company are required from agencies, including the LCBO, the British Columbia Liquor Distribution Board, the SAQ (Société Des Alcools du Quebec), Canada Customs and Revenue Agency-Excise, and Internal Revenue Service (U.S.). Management believes that the Company is currently in compliance with all license and permit terms and conditions, and that the Company has the necessary approvals for current operations.

The quarterly operating results of the Company vary considerably due to the seasonality of beer sales. The Company historically realizes higher sales during summer months. Its sales can be effected by weather. Management expects this trend to continue in the future.

Quality controls in the manufacturing process are maintained to prevent product defects or failures. Despite the quality control procedures and testing done by the Company, there is the risk that the Company could be party to a product liability claim by its customers. The Company maintains errors and omissions and product liability insurance to protect itself from such litigation, but any such claim could have an adverse effect on the Company's business. Currently, there are no such significant claims outstanding.

CONTINGENCIES

In 2002, the Company settled its arbitration proceedings with a previous supplier of value beers. As part of the confidential settlement agreement, certain of the amounts owing by the Company to the previous supplier were forgiven. The Company also received a cash payment and a note for additional amounts to be received over the course of one year. The total of the amounts received and receivable by the Company as a result of this settlement agreement were not materially different from the amount recorded as an asset by the Company for amounts receivable from this supplier in previous periods. The pre-tax income recorded in the period from this settlement was $0.4 million.

Sleeman is subject to certain legal claims arising in the normal course of business. Management believes that none of these legal claims will materially affect the results of the Company in the future.

ENVIRONMENT

Sleeman has an environmental program to oversee environmental, crisis management and health and safety matters. Management believes, based on existing information and laws and regulations, that amounts to be expended on these matters will not be material. Management is not aware of any instance of non-compliance with environmental laws and regulations that is not being addressed.

IMPACT OF NEW ACCOUNTING PRONOUNCEMENTS

Effective the fiscal year commencing December 30, 2001, Sleeman adopted the new accounting pronouncements of the CICA Handbook section 3870 "Stock-based Compensation and Other Stock-based Payments" and section 3062, "Goodwill and Other Intangible Assets".

Further details are provided in note 2 to the consolidated financial statements.

FINANCIAL INSTRUMENTS

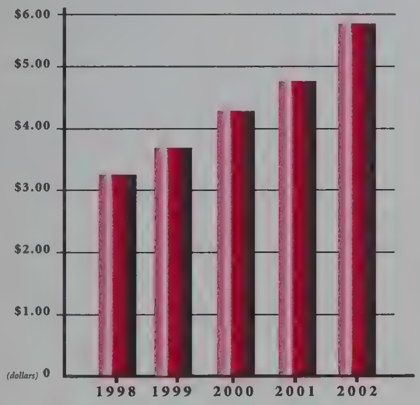
The Company enters into contractual agreements involving financial instruments to hedge underlying exposures in foreign exchange, interest rate and commodity markets. The Company follows a policy of not using financial instruments for speculative purposes and has procedures in place to monitor and control the use of financial instruments.

A significant portion of the Company's operating expenses, in particular can purchases, bottle purchases, U.S. lease facility payments, and hop purchases, are denominated in U.S. dollars. To hedge these U.S. dollar purchases, the Company periodically enters into foreign exchange forward contracts and foreign exchange collar agreements with large Canadian financial institutions. At December 28, 2002, the Company had no such contracts in place.

The Company uses significant quantities of production materials, notably malt and hops, and aluminum cans. It also uses a combination of fixed price contracts of less than 3 years and cash settlement swap agreements to hedge these commodity price exposures.

At December 28, 2002, the Company had entered into interest rate swaps with various large Canadian financial institutions with varying terms and conditions to hedge its exposure to interest rate changes.

A full summary of these contractual obligations is included in note 18 to the audited financial statements.



NET BOOK VALUE PER SHARE *(dollars)*

OUTLOOK

The Company will continue to focus on profitably gaining market share and increasing its sales volumes in 2003 by selling high quality and innovative products through distinctive sales and marketing programs.

Volumes and net revenue are expected to increase in 2003 partially due to the effects of the Grolsch contract purchase and the Sapporo production contract signed in 2002.

The Company will focus on maintaining strict control over spending in 2003. Production costs, plant overhead and corporate overhead costs will be monitored to ensure all costs incurred are necessary and adding value to the organization's efforts to produce and sell beer. Sales and marketing costs will be directed to activities that promote the Company's brands in the most effective and efficient manner. Sales, general and administrative costs measured on a per hectolitre basis will be monitored with the intent that they will not exceed the level incurred in 2002.

Capital spending in 2003 is expected to be approximately \$13 million. The Company plans on funding these capital expenditures from its operating cash flow.

Based on the foregoing, the Company is confident it will meet its stated goal of growing earnings per share by at least 15% in 2003 over its normalized diluted earnings per share in 2002 of \$0.68 (\$10.8 million). Normalized earnings for 2002 are based on the Company's reported GAAP earnings of \$12.3 million (\$0.77 per share) less the after-tax effects of the gain on the sale of the sales and distribution contract recorded in the year (\$2.4 million or \$0.14 per share) plus the after-tax effects of the non-recurring charges recorded in the fourth quarter (\$0.9 million or \$0.05 per share). Normalized diluted earnings per share for 2001 were \$0.59 (\$9.1 million). Normalized earnings for 2001 are based on the Company's reported earnings of \$9.8 million (\$0.63 per share) less the after-tax effects of the Alberta excise tax change introduced in 2002 (\$2.6 million or \$0.17 per share) plus the after-tax effects of the change in accounting for goodwill and other indefinite life intangible assets implemented in 2002 (\$1.9 million or \$0.13 per share).

The continuing introduction of its products into the U.S. will provide the Company with an opportunity to reach more beer consumers than ever before. The limited scope of the introduction will ensure that the Company proceeds in a prudent and measured way.

The Company will search out acquisition and expansion opportunities in 2003 as consolidation in the beer industry continues and Sleeman determines future capacity needs in light of growing sales and production requirements. Opportunities will be reviewed based on strict operational and financial guidelines.

The Company continues to be well positioned to act as a producer, distributor, marketer and seller for its current international alcoholic beverage partners as they look to grow their North American sales. The expanding portfolio of premium imported brands the Company represents will allow the Company to profitably participate in the imported beer segment, the fastest growing segment of the North American beer market. The Company continues to pursue other premium import brands that would further complement its current stable of import and domestic premium beers.

(in thousands of dollars except EPS & Ratios)

	2002	*2001**	*2000*	*1999*	*1998*
Income Statement					
Net Revenue	157,053	141,615	134,439	96,110	76,023
EBITDA	29,930	28,452	26,463	19,546	15,146
EBIT	24,528	21,365	20,092	14,627	11,449
Earnings before Tax	18,511	14,820	13,319	10,869	9,337
Net Income	12,321	9,765	8,969	6,549	6,755
EPS (diluted)	0.77	0.63	0.58	0.41	0.43
Balance Sheet					
Total Assets	220,081	197,642	182,179	166,171	105,655
Equipment & Leaseholds	70,120	67,569	58,407	48,596	41,865
Long-term Debt	83,622	80,293	89,987	81,223	34,210
Shareholders' Equity	90,197	73,088	62,554	58,078	51,415
Working Capital	5,094	(1,804)	(1,775)	2,670	(1,201)
Ratios					
Current Ratio	1.1	1.0	1.0	1.1	1.0
Long-term Debt to Equity	0.9	1.1	1.4	1.4	0.7
HLs (Proforma for 2001)	1,122,000	1,024,000	998,000	539,000	420,000
NBV per share	5.70	4.78	4.12	3.67	3.28

SUMMARY OF QUARTERLY INFORMATION FOR THE LAST EIGHT QUARTERS

	2002				**2001***			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net Revenue	$28,109	$43,083	$48,044	$37,817	$27,155	$40,888	$39,246	$34,326
S,G&A Expenses	$7,678	$16,521	$15,713	$11,747	$7,730	$11,747	$12,912	$11,302
EBITDA	$5,595	$5,377	$8,466	$6,897	$5,548	$8,563	$7,459	$6,882
Net Income	$1,992	$4,616	$3,720	$1,993	$1,490	$3,492	$2,601	$2,182
EPS (Diluted)	$0.13	$0.29	$0.23	$0.12	$0.10	$0.23	$0.17	$0.14

* Note: Certain 2001 figures have been reclassified to conform to the current year's financial statement presentation.

Auditors' Report
To the Shareholders of
Sleeman Breweries Ltd.

We have audited the consolidated balance sheets of Sleeman Breweries Ltd. (the "Company") as at December 28, 2002 and December 29, 2001 and the consolidated statements of earnings and retained earnings and cash flows for the fiscal years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 28, 2002 and December 29, 2001 and the results of its operations and its cash flows for the fiscal years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Kitchener, Ontario

February 21, 2003

SLEEMAN BREWERIES LTD.
Consolidated Balance Sheets
(in thousands of dollars)

	Fiscal Year Ended December 28, 2002	December 29, 2001
ASSETS		
CURRENT		
Accounts receivable	**$28,012**	$24,030
Income taxes recoverable	**190**	-
Inventories (Note 4)	**22,843**	19,296
Prepaid expenses	**1,677**	1,185
	52,722	44,511
LONG-TERM NOTE RECEIVABLE (Note 6)	**3,072**	-
PROPERTY, PLANT AND EQUIPMENT (Note 5)	**70,120**	67,569
LONG-TERM INVESTMENTS (Note 7)	**7,586**	8,090
INTANGIBLE ASSETS (Note 8)	**86,581**	77,472
	$220,081	$197,642
LIABILITIES		
CURRENT		
Bank indebtedness (Note 9)	**$10,461**	$16,063
Accounts payable and accrued liabilities	**27,495**	19,144
Income taxes payable	**-**	2,748
Current portion of long-term debt (Note 10)	**9,672**	8,360
	47,628	46,315
LONG-TERM DEBT (Note 10)	**73,950**	71,933
FUTURE INCOME TAXES (Note 11)	**8,306**	6,306
	129,884	124,554
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 12)	**43,753**	38,965
RETAINED EARNINGS	**46,444**	34,123
	90,197	73,088
	$220,081	$197,642

APPROVED BY THE BOARD

Pierre Des Marais II, Director

John Withers, Director

SLEEMAN BREWERIES LTD.

Consolidated Statements of Earnings and Retained Earnings
(in thousands of dollars except per share amounts)

	Fiscal Year Ended	
	December 28, 2002	December 29, 2001
NET REVENUE	**$157,053**	$141,615
COST OF GOODS SOLD	**79,059**	69,472
GROSS MARGIN	**77,994**	72,143
GAIN ON SALE OF AGENCY AGREEMENT (Note 6)	**3,595**	-
SELLING, GENERAL AND ADMINISTRATIVE	**51,659**	43,691
EARNINGS BEFORE THE UNDERNOTED	**29,930**	28,452
DEPRECIATION AND AMORTIZATION	**5,402**	7,087
INTEREST EXPENSE	**6,017**	6,545
EARNINGS BEFORE INCOME TAXES	**18,511**	14,820
INCOME TAXES (Note 11)	**6,190**	5,055
NET EARNINGS	**12,321**	9,765
RETAINED EARNINGS, BEGINNING OF YEAR	**34,123**	24,358
RETAINED EARNINGS, END OF YEAR	**$46,444**	$34,123
EARNINGS PER SHARE (Note 14)		
BASIC	**$ 0.79**	$ 0.64
DILUTED	**$ 0.77**	$ 0.63

SLEEMAN BREWERIES LTD.

Consolidated Statements of Cash Flows
(in thousands of dollars except per share amounts)

	Fiscal Year Ended December 28, 2002	December 29, 2001
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net earnings	**$12,321**	$9,765
Items not affecting cash		
Depreciation and amortization	**5,402**	7,087
Future income taxes	**2,000**	1,100
Gain on sale of agency agreement	**(3,595)**	-
Non cash interest charges in income	**(69)**	-
Gain on disposal of equipment	**(388)**	-
	15,671	17,952
Changes in non-cash operating working capital items (Note 15)	**(2,277)**	1,032
	13,394	18,984
INVESTING		
Business acquisitions (Note 3)	**(52)**	(2,179)
Proceeds from sales of agency agreement	**351**	-
Additions to property, plant and equipment	**(6,986)**	(12,677)
Additions to intangible assets	**(7,975)**	(1,402)
Proceeds from long term investments (Note 7)	**504**	-
Proceeds from disposal of equipment	**839**	22
	(13,319)	(16,236)
FINANCING		
Net proceeds from bank operating loans	**(5,602)**	6,179
Stock options exercised	**2,288**	769
Long-term debt - proceeds	**11,161**	9,343
Long-term debt - principal repayments	**(7,922)**	(19,039)
	(75)	(2,748)
NET CASH FLOW AND CASH BALANCE, END OF YEAR	-	-
Supplemental disclosures of cash flows:		
Interest paid	**$6,028**	$6,620
Income taxes paid, net of cash refunds of $221 (2001 -$898)	**$7,158**	$1,016

1. DESCRIPTION OF BUSINESS

The Company develops, produces, imports, markets and distributes beer for sale to provincial liquor distribution organizations and entities engaged in the food and beverage industries within Canada.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following policies:

a) Basis of consolidation

The consolidated financial statements include the accounts of Sleeman Breweries Ltd. and all its subsidiary companies. All significant inter-company transactions have been eliminated.

b) Inventories

Raw materials, work-in-process and finished goods are valued at the lower of cost and net realizable value. Returnable containers are recorded at cost net of deposit liability and are amortized over their useful lives.

c) Property, plant and equipment

Property, plant and equipment are recorded at cost. Depreciation generally is calculated using the diminishing-balance method at the following rates:

Plant	5%
Machinery and equipment	5% to 50%
Office equipment	20%
Leasehold improvements	Straight-line over the lease term, normally one to five years

d) Long-term investments

Long-term investments include a minority interest investment recorded at cost, less a provision for any permanent decline in value.

e) Goodwill and brands

In July 2001, the Canadian Institute of Chartered Accountants (CICA) issued Handbook Section 3062, "Goodwill and Other Intangible Assets" (Section 3062), which was effective for the Company's fiscal year beginning on December 30, 2001. Section 3062 changed the accounting for goodwill and other indefinite life intangible assets from an amortization method to an impairment-

only approach. Accordingly, the amortization of goodwill and the amortization of brands ceased upon December 30, 2001.

The Company completed the Section 3062 transitional impairment tests during the second quarter of 2002 and concluded that there was no impairment of recorded goodwill and brands, as the fair value of the reporting units exceeded their carrying amounts as of December 30, 2001. Therefore, the second step of the transitional impairment test under Section 3062 was not required to be performed.

The Company performed the Section 3062 annual impairment tests during the fourth quarter of 2002 and concluded that there was no impairment of recorded goodwill and brands, as the fair value of the reporting units exceeded their carrying amounts as of the test date. Therefore, the second step of the annual impairment test under Section 3062 was not required to be performed.

f) Other intangible assets

Intangible assets are recorded at cost and are amortized on a straight-line basis over the following periods:

Sales and distribution licenses	5 to 10 years
Deferred charges	2 to 3 years

Deferred charges consist of deferred financing costs and deferred packaging costs. Management assesses the carrying values of intangible assets on a periodic basis for possible impairment. Management has determined that no permanent impairment in the carrying values of intangible assets exists based on the projected future income streams of the related revenues.

g) Revenue recognition

Revenue is recognized upon delivery of product to the customer.

h) Income taxes

The Company uses the liability method in accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and measured using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

i) Translation of foreign currencies

Assets and liabilities of the Company which are denominated in foreign currencies are translated into Canadian dollars at the rate in effect at the balance sheet date. Revenue and expenses are translated at the exchange rate in effect on the date of the transaction.

j) Earnings per share

Basic and diluted earnings per share have been computed using the weighted-average number of

common shares outstanding during each period. Diluted earnings per share amounts reflect the effect of potentially dilutive securities, including stock options, when dilutive, under the treasury stock method.

k) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ materially from those estimates and assumptions.

l) Stock-based compensation

The Company maintains a discretionary employee stock option plan, which is described in Note 13. No compensation expense is recognized for this plan when stock or stock options are issued to employees. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to share capital. Effective December 30, 2001, the Company adopted the CICA Handbook Section 3870 "Stock-based Compensation and Other Stock-based Payments" (Section 3870). Section 3870 establishes accounting standards for the recognition, measurement, and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services and applies to transactions in which an enterprise grants common shares, stock options, or other equity instruments, or incurs liabilities based on the price of common shares or other equity instruments. Section 3870 prescribes a fair value based method of accounting required for certain stock-based transactions, effective January 1, 2002 and applied to awards granted on or after that date. As permitted by Section 3870, the Corporation did not adopt the provisions in respect of the fair value method of accounting for all of its employee stock-based compensation and was not impacted by the requirements to determine the fair value of certain other stock-based transactions.

m) Derivative financial instruments

Derivative financial instruments are utilized by the Company in the management of foreign currency, interest rate and commodity price exposures. The Company's policy is not to use derivative financial instruments for trading or speculative purposes.

The Company's policy is to designate each interest rate derivative financial instrument as a hedge of a specifically identified interest rate exposure. The Company believes that the derivative financial instruments are effective as hedges, both at inception and over the term of the instrument.

The Company periodically enters into foreign exchange contracts and foreign exchange collar-agreements to manage risks associated with fluctuations in foreign currency exchange rates for expenditures payable in US dollars.

Foreign exchange translation gains and losses on foreign currency denominated derivative financial instruments used to hedge foreign currency transactions are deferred until the underlying hedged transaction is settled.

m) Derivative financial instruments (continued)

Approximately 40% of the Company's long-term debt effectively bears interest at variable rates, after taking into account the effect of interest rate swaps. Consequently, the Company is exposed to interest rate risk associated with these obligations. The Company periodically enters into interest rate swap agreements to manage risks associated with interest rate fluctuations. The interest rate swaps are recorded as an adjustment of interest expense on the hedged debt instrument. The related amount payable to or receivable from counterparties is included as an adjustment to accrued interest.

As the Company determines is appropriate, cash settlement commodity swaps are used to hedge against fluctuations in commodity prices such as aluminum and corrugate paper. By entering into such agreements, the Company will commit to pay a fixed contract price for the term of the contract, which will effectively fix the underlying cost of the commodity. Any gains or losses on the commodity swaps are recognized immediately in earnings.

Gains and losses on terminations of derivative instruments are recognized immediately in earnings at the time of extinguishment.

n) Fiscal year end

The Company has a floating fiscal year end which ends on the last Saturday of each calendar year.

3. BUSINESS ACQUISITIONS

Fiscal year ended December 29, 2001

Effective November 30, 2001, the Company completed the acquisition of all of the shares of Northern Goose Brewing Company Limited, the principal distributor of the Company's products in the province of Quebec. In exchange, the Company paid cash of $2,137 which included acquisition costs and assumed $42 of bank indebtedness.

The net assets acquired, using the purchase method of accounting, were as follows:

Cash paid and bank indebtedness assumed	$ 2,179
Assigned to the fair value of net assets acquired:	
Current assets	955
Property, plant and equipment	175
Goodwill	1,805
Current liabilities	(756)
	$ 2,179

4. INVENTORIES

	December 28, 2002	December 29, 2001
Finished goods and work-in-progress	$ 12,543	$ 10,145
Raw materials	2,467	1,646
Returnable containers, net of deposit liabilities	7,833	7,505
	$ 22,843	$ 19,296

5. PROPERTY, PLANT AND EQUIPMENT

	December 28, 2002	December 29, 2001
Cost:		
Land	$ 1,828	$ 1,821
Plant	17,920	17,040
Capital projects in process	2,050	476
Machinery and equipment	67,225	63,649
Office equipment	3,207	3,141
Leasehold improvements	592	508
	92,822	86,638
Accumulated depreciation:		
Plant	4,831	4,158
Machinery and equipment	15,057	12,067
Office equipment	2,348	2,402
Leasehold improvements	466	442
	22,702	19,069
	$ 70,120	$ 67,569

Depreciation on property, plant and equipment totalled $3,984 (2001 - $3,667).

6. NOTE RECEIVABLE

During the year, the Company sold the Canadian sales, marketing and distribution rights for an imported beer brand. The gain reported represents the gross sale proceeds receivable from the purchaser less a provision for disposition related costs of $725 and deferred interest on future payments of $1,101 as calculated on the date of the agreement. The gross sales proceeds are receivable in annual payments on June 30 of each year. The amounts receivable at December 28, 2002 were as follows:

2003	$ 980
2004	1,176
2005	1,352
2006	1,488
Less: imputed interest	(944)
	4,052
Less: current portion	(980)
	$ 3,072

7. LONG-TERM INVESTMENTS

	December 28, 2002	December 29, 2001
Minority investments	$ 3,311	$ 3,310
Loans to executives	4,275	4,780
	$ 7,586	$ 8,090

The Company has entered into loan agreements with certain senior executives to enable the executives to purchase shares of the Company on the open market. These loans have principal amounts totalling $4,275, bear interest at rates between 3% and 6% per annum and are repayable in full on October 31, 2005. If the executive ceases to be employed by the Company, the entire loan amount will become due and payable. If the executive sells or otherwise disposes of the shares, the net proceeds from the disposition shall be applied to repay the loan amount. The Company has a first security position over the shares purchased and personal covenants from each of the borrowers. At December 28, 2002, $391 (2001 - $306) of accrued interest was owing to the Company by the executives and the market value of the shares purchased was $5,756 (2001 - $6,982).

8. INTANGIBLE ASSETS

	December 28, 2002	December 29, 2001
Goodwill and brands	$ 75,780	$ 75,758
Sales and distribution licenses	8,232	-
Deferred charges	2,569	1,714
	$ 86,581	$ 77,472

Amortization of intangible assets totalled $1,418 (2001 - $3,419).

During the year, the Company acquired the rights to distribute, market and sell beer produced by a European brewer. The acquisition cost of $8,817 (including transaction costs) was paid as follows:

Cash	$ 3,575
Note payable	3,460
Common shares issued on closing	2,500
Total consideration	9,535
Less: imputed interest	(718)
Total acquisition cost	$ 8,817

9. BANK INDEBTEDNESS

At December 28, 2002, the Company had utilized $10,461 of an authorized operating line of credit of $22,000 (2001 - the Company had utilized $16,063 of an authorized operating line of credit of $22,000) provided by a Canadian chartered bank. The line of credit bears interest at prime and is secured under the same terms as described in Note 10. At December 28, 2002, the bank's prime rate was 4.50% (December 29, 2001 - 4%).

10. LONG-TERM DEBT

	December 28, 2002	December 29, 2001
(i) Revolving term loan provided by a Canadian chartered bank; authorized amounts total $27,417 (2001 - $27,417); maturity date of June 19, 2007 with interest payable monthly. Interest rate of prime plus 0.5%. Principal payments of $4,500 are payable July 31 and September 30 of each year starting in 2004.	$ 23,002	$ 14,582
(ii) Non-revolving reducing term loan provided by a Canadian chartered bank, authorized amount of $47,960 (2001 - $56,500); maturing December 31, 2005. Interest is payable monthly at prime plus 0.25%. Quarterly principal payments of $1,675 are payable in 2003 increasing each year to $3,815 in 2005.	47,960	52,960
(iii) Shaftebury Vendor Take Back Loan - The non-interest bearing loan is repayable in quarterly payments of $438 from March 31, 1999 to December 31, 2002. Interest is imputed using a discount rate of 7.35%.	438	1,511
(iv) Non-revolving reducing term loan provided by a Canadian chartered bank; authorized amount of $7,500 (2001 - $10,166); maturity date of November 30, 2004. Interest rate of prime plus 0.5%. Monthly principal payments of $266 (2001 - $266) are to be made during the six months beginning April of each year.	7,500	9,100
(v) Non-revolving reducing term loan provided by a Canadian chartered bank; authorized amount of $1,740 (2001 - $2,196); maturity date of November 30, 2004. Interest rate of prime plus 0.5%. Monthly principal payments of $41 (2001 - $41) are to be made during the six months beginning April of each year.	1,740	1,990
(vi) Maritime Vendor Take Back Loan – Non-interest bearing loan repayable on April 1, 2004. The amount payable may increase if certain volume objectives are met at the production facility in the 2003 fiscal year.	150	150

(vii) Sales and Distribution Contract Vendor Take Back Loan - The non-interest bearing loan is repayable in annual payments of $865 on July 1 of each year from 2003 to 2006. Interest is imputed using a discount rate of 10%.	2,832	-
	83,622	80,293
Less: amount due within one fiscal year	9,672	8,360
	$ 73,950	$ 71,933

Security provided to two Canadian chartered banks on a pro rata basis is comprised of a general assignment of book debts; a security agreement over all inventories; a general security agreement over all present and future personal property; and collateral mortgages on land and buildings in Guelph, Ontario and Vernon, British Columbia.

Interest charges on long-term obligations during the period totalled $5,457 (2001 - $6,116). The debt facilities are subject to certain financial covenants. The Company complied with all covenants at December 28, 2002.

Principal payments required during the next five fiscal years are as follows:

2003	$ 9,672
2004	25,727
2005	24,945
2006	23,278
2007	-
	$ 83,622

11. INCOME TAXES

The components of the provision for income taxes are as follows:

	Fiscal year ended	
	December 28, 2002	December 29, 2001
Current	$ 4,190	$ 3,955
Future	2,000	1,100
	$ 6,190	$ 5,055

The components of future tax assets and liabilities are as follows:

	December 28, 2002	December 29, 2001
Future income tax asset:		
Accumulated tax operating losses	$ 2,711	$ 1,828

Future income tax liabilities:		
Difference between tax and accounting basis of property, plant, equipment and intangible assets	10,532	8,239
Other	485	(105)
	11,017	8,134
Net future tax liability	$ 8,306	$ 6,306

The provision for income taxes differs from the provision amount calculated at combined statutory federal and provincial tax rates for the following reasons:

	Fiscal year ended December 28, 2002	December 29, 2001
Combined statutory federal and provincial income tax rate	37.6%	40.6%
Provision of income taxes at the statutory rate	$ 6,960	$ 6,022
Manufacturing and processing deduction	(615)	(637)
Large Corporations tax	235	188
Permanent differences between accounting income and income for tax purposes	(637)	774
Effects of substantively enacted tax rate changes	-	(908)
Other adjustments	247	(384)
	$ 6,190	$ 5,055

At December 28, 2002, the Company had approximately $7,528 (December 29, 2001 - $5,506) in losses carried forward, which are available for deduction against taxable income of future years. The benefit of this item has been fully recorded in these financial statements.

12. SHARE CAPITAL

	2002	2001
Common shares	$ 43,753	$ 38,965

The authorized share capital of the Company consists of an unlimited number of common shares. At December 28, 2002, there were 15,832,211 (December 29, 2001 - 15,296,872) shares outstanding. During the year 309,911 options were exercised ($2,288).

During the year, the Company issued 225,428 common shares from treasury with a paid in capital of $2,500 as partial consideration for the purchase of the sales, marketing and distribution rights described in Note 8.

13. STOCK OPTION PLAN

The Company maintains a discretionary employee stock option plan. Under the terms of the plan, the board of directors determines stock option allocations to employees. Stock options generally have a term of five to ten years and each grant typically vests one-third per year over the following three years.

A summary of the status of the Company's stock option plan as of December 28, 2002 and December 29, 2001 and changes during the years then ended is as follows:

	2002 Units	2002 Weighted Average Exercise Price	2001 Units	2001 Weighted Average Exercise Price
Outstanding, at beginning of year	1,620,544	$ 7.46	1,579,118	$ 7.24
Granted	48,862	10.15	232,335	8.56
Exercised	(309,911)	7.38	(129,450)	5.94
Forfeited	(18,300)	7.80	(61,459)	7.74
Outstanding, at end of year	1,341,195	$ 7.57	1,620,544	$ 7.46

A summary of the options issued and exercisable as at December 28, 2002 is as follows:

	Options outstanding			Options Exercisable	
Exercise prices	Number outstanding	Weighted average remaining term	Weighted average exercise price	Number exercisable	Weighted average exercise price
$5.00	105,000	2.63 years	$5.00	105,000	$5.00
$7.00	348,496	3.80 years	$7.00	348,496	$7.00
$7.75	501,600	5.06 years	$7.75	501,600	$7.75
$7.80	287,237	2.58 years	$7.80	176,024	$7.80
$10.15	48,862	4.21 years	$10.15	–	$10.15
$11.35	50,000	3.67 years	$11.35	16,667	$11.35
	1,341,195			1,147,787	

If the Company had determined compensation cost related to its stock option plan based on the fair value at the grant dates for awards granted during the period, the Company's net earnings per share would have been reduced to the pro forma amounts indicated below:

(Dollars in 000's, except per share amounts)	Year ended December 28, 2002
Net earnings as reported	$ 12,321
Net earnings - pro forma	$ 12,280
Net earnings per share as reported	$ 0.79
Basics earnings per share - pro forma	$ 0.79
Diluted earnings per share as reported	$ 0.77
Diluted earnings per share - pro forma	$ 0.77

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants during the period: dividend yield of 0%; expected volatility of 27%; risk-free interest rate of 5%; and an expected life of four years.

14. EARNINGS PER SHARE

	Fiscal year ended	
	December 28, 2002	December 29, 2001
Numerator for basic and diluted earnings per share:		
Earnings available to common shareholders	$ 12,321	$ 9,765
Denominator for basic earnings per share:		
Weighted average shares outstanding	15,559,295	15,223,139
Denominator for diluted earnings per share:		
Weighted average shares outstanding	15,559,295	15,223,139
Dilutive stock options	407,897	275,939
	15,967,192	15,499,078
Net earnings per share:		
Basic	$ 0.79	$ 0.64
Diluted	$ 0.77	$ 0.63

The following table illustrates the impact on earnings per share of CICA Section 3062 (see Note 2 e) as if the standard had been adopted effective December 30, 2001:

	Year ended	
	December 28, 2002	December 29, 2001
Net earnings - reported	$ 12,321	$ 9,765
Adjustments:		
Amortization of goodwill and brands	-	1,896
Net earnings - adjusted	12,321	11,661
Reported basic and diluted earnings per common share:		
Basic	$ 0.79	$ 0.64
Diluted	$ 0.77	$ 0.63
Adjusted basic and diluted earnings per common share:		
Basic	$ 0.79	$ 0.77
Diluted	$ 0.77	$ 0.75

15. CHANGES IN NON-CASH OPERATING WORKING CAPITAL COMPONENTS

	December 28, 2002	December 29, 2001
Accounts receivable	$ (3,981)	$ (1,388)
Inventories	(3,547)	(5,420)
Prepaid expenses	(492)	1,026
Accounts payable and accrued liabilities	8,351	3,866
Working capital impact of sale of agency agreement	330	-
Income taxes	(2,938)	2,948
	$ (2,277)	$ 1,032

16. LEASE COMMITMENTS

The Company rents premises, trucks, phones and computers under various lease agreements. Minimum payments exclusive of realty taxes and other occupancy charges for the next five fiscal years are as follows:

2003	$ 5,610
2004	5,350
2005	3,990
2006	3,087
2007	1,188
	$ 19,225

17. SEGMENTED INFORMATION

Sleeman Breweries Ltd. is the largest premium brewery in Canada, producing and marketing several unique brands of beer. The Company operates breweries in Vernon, British Columbia, Calgary, Alberta, Guelph, Ontario, Boucherville, Quebec, Halifax, Nova Scotia, and LaCrosse, Wisconsin, USA. The Company's reportable segments represent the aggregation of strategic business units that produce and sell beer in distinct geographic markets. They are managed separately because each business operates in different market environments in terms of regulatory regimes, customer preferences and sales and distribution channels.

The Company has two reportable segments: Eastern Canadian operations and Western Canadian operations. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company accounts for inter-segment sales and transfers at the transferring segment's cost. Segment performance is evaluated based on earnings before interest, income taxes, depreciation and amortization (EBITDA).

The following tables set forth information about segment profit or loss and segment assets:

	Eastern Canada	Western Canada	Totals
2002			
Revenue from external customers	$ 104,081	$ 52,972	$ 157,053
Inter-segment revenue	8,569	13	8,582
EBITDA	19,770	10,160	29,930
Depreciation and amortization	3,348	2,054	5,402
Segment assets	150,238	69,843	220,081
Expenditures for capital assets	5,048	1,938	6,986
2001			
Revenue from external customers	$ 94,295	$ 48,320	$ 141,615
Inter-segment revenue	5,091	20	5,111
EBITDA	19,842	8,610	28,452
Depreciation and amortization	4,517	2,570	7,087
Segment assets	132,910	64,732	197,642
Expenditures for capital assets	9,151	3,700	12,851

Substantially all of the Company's assets are located in Canada and substantially all the Company's revenues are derived from Canadian customers. In 2002, one significant customer accounted for 28% (2001 – 37%) of revenue; another significant customer accounted for 18% (2001 – 16%) of revenue, and another accounted for 17% of revenue.

18. FINANCIAL INSTRUMENTS

Fair value
At December 28, 2002 and December 29, 2001, the estimated fair market values of accounts receivable, accounts payable and bank indebtedness were equal to the book values given the short-term maturities of the items.

Long-term investments include a minority interest investment. Management has reviewed the carrying value and determined that a permanent impairment in the value of the long-term investment does not exist.

The estimated fair value of long-term debt approximates the book value as substantially all the debt bears interest at market rates as at December 28, 2002.

Credit risk
A substantial portion of the accounts receivable is attributable to various liquor distribution agencies in Canada. The credit risk relating to these regulatory agencies is considered to be low. The Company is not exposed to significant credit risk relating to the remaining accounts receivable given the relative size of individual customer amounts due to the Company.

Foreign exchange risk
At December 28, 2002 and December 29, 2001, the amounts included in accounts receivable and accounts payable due in foreign currencies were not significant. Substantially all the Company's revenues are denominated in Canadian dollars. There were no foreign exchange contracts or foreign exchange collar agreements at December 28, 2002.

Interest rate risk
In order to minimize the Company's interest rate exposure, the following financial instruments are outstanding:

i) At December 28, 2002, the Company was party to interest rate swaps with a Canadian bank on notional principal amounts of $13,650 maturing December 1, 2003 and $13,650 maturing on December 1, 2004. The first interest rate swap fixes the Company's interest rate for the term of the agreement effectively at 6.89% while the second interest rate swap fixes the Company's interest rate for the term of the agreement at 7.00%. The notional amounts of the two swap agreements do not materially reduce for the term of each agreement. At December 28, 2002, the fair value of the above interest rate swaps was $(1,090).

ii) At December 28, 2002, The Company was party to two interest rate swaps with another Canadian bank. The details of these contracts are as follows:

Swap Facility	Start Date/ End Date	Notional Principal Amount	Fixed Rate to be Paid	Details of Notional Principal Reductions
1	July 4/00 June 1/05	$5,000	6.98%	None for duration of contract
2	May 22/01 Dec 21/05	$11,000	5.94%	None for duration of contract

Cash settlements on the above fixed rate swaps occur monthly and are calculated based on rolling 30-day Bankers' Acceptance rates. At December 28, 2002, the fair value of the interest rate swaps was ($1,212).

Commodity price risk
On December 28, 2002, the Company was party to a cash settlement commodity swap for aluminum with a large Canadian bank. The Company entered into this transaction to fix the underlying raw material cost of its aluminum can purchases. The contract is effective from February 1, 2001 and expires December 31, 2003. Each month during the first 11 months of the contract, the Company was obligated to pay US $1,635 per tonne and will receive the market price per tonne based on varying notional quantities (246 tonnes in total). For the second and third years of the contract, the Company is obligated to pay US$1,592 per tonne for 532 tonnes and US$1,564 per tonne for 560 tonnes, respectively. The agreement provides for a right of off-set with the party owing the higher amount for any given month required to cash settle the difference. On December 28, 2002, the fair value of the commodity swap was ($131).

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.

CORPORATE OFFICERS

JOHN SLEEMAN - *Chairman & Chief Executive Officer*

RICK KNUDSON - *President & Chief Operating Officer*

DAN ROGOZYNSKI - *Vice President, Finance & Administration*

DAN FOX - *Managing Director, Ontario & Atlantic Canada*

STEVE PELKEY - *Managing Director, Western Canada*

GUY LETOURNEAU - *Managing Director, Quebec*

BOARD OF DIRECTORS

JOHN SLEEMAN - *Chairman & CEO, Sleeman Breweries Ltd.*
The great-great grandson of the original Sleeman brew-master, John revived the family business by reincorporating The Sleeman Brewing & Malting Co. Ltd. in 1985.

ALLAN BRASH - *Corporate Director*
Allan's formal training includes a diploma from the British Institute of Brewing. He was employed by Labatt Breweries of Canada Ltd. and held key positions in plant and international operations and retailing. He served as Vice President – Operations for Sleeman Breweries from 1987 until 1998.

KEN HALLAT - *Chairman & CEO, Novas Capital Corporation* ✤★
Ken is Chairman & CEO of a private venture capital company, Novas Capital Corporation. In addition, he is Chairman of the M-Chem Group of Companies, which manufactures and markets industrial cleaners and ancillary products for the North American market.

RICHARD SCOTT - *Partner, Fraser Milner Casgrain LLP, Barristers and Solicitors* ✦
During his 16 years with a leading law firm, Richard has practised extensively in the areas of corporate and commercial law, mergers and acquisitions and securities law.

JOHN WITHERS - *Private Investor* ✤★
A private investor in a number of business ventures, John served as the Executive Vice-President and CFO of Allied Strategies prior to its merger with The Sleeman Brewing & Malting Co. Ltd.

PIERRE DES MARAIS II - *President, Gestion PDM Inc.* ✤✦★
A past Chairman, President and CEO of Carling O'Keefe Limited, Pierre has many years of outstanding business experience. He currently sits on the Board of Directors of a number of major corporations.

ED PREVOST - *President, Prevost & Associates Inc.* ✦
Ed currently provides corporate services to various public and private companies. He is the Canadian associate of Einhorn Associates Inc. (a U.S. based mergers and acquisitions company), and the President of Prevost & Associates Inc. (a strategic planning and family succession company), since 1998. Earlier, Ed was the President and Chief Executive Officer of La Brasserie O'Keefe Limitèe and the senior Vice-President of Carling O'Keefe Breweries Ltd.

✤ Member of the Audit Committee
✦ Member of the Corporate Governance Committee
★ Member of the Compensation Committee

Board Composition and Responsibilities

The Board of Directors currently consists of seven Directors, a majority of which qualify as "unrelated" directors according to Toronto Stock Exchange Guidelines. The three "related" Board members are John Sleeman and Allan Brash, by virtue of their employment by the Corporation and Richard Scott, a partner of Fraser Milner Casgrain LLP, the Corporation's legal counsel. The Board believes that the majority of independent, "unrelated" directors ensures effective decision making and provides objective advice and counsel to management.

The Board supervises the management of the business and affairs of the Corporation. In fulfilling its mandate, the Board is responsible for strategic planning, identification of principal risks and management of these risks, succession planning and monitoring of senior management, communications policy and integrity of the Corporation's internal controls and management information systems.

Board Committees

The Board of Directors has three committees: the Audit Committee, the Corporate Governance Committee and the Compensation Committee. Each Committee has a mandate outlining its responsibilities and obligations. In accordance with TSX Guidelines, the Audit Committee and the Compensation Committee are composed exclusively of "unrelated" directors.

The Audit Committee is responsible for the identification and management of risks, compliance with legal and regulatory requirements, the integrity of internal financial reporting and auditing according to generally accepted accounting principles, the accuracy and completeness of all legal disclosure documents, and the integrity of the external audit.

The Compensation Committee is responsible for setting and reviewing the compensation paid to the Corporation's executive officers and directors and for selecting and administering the Corporation's short and long-term incentive plans for such executive officers.

The Corporate Governance Committee is responsible for examining corporate governance practices observed within the Corporation, including the effectiveness, composition and mandates of the Board and its Committees, as well as contributions by individual directors, the Board's relationship to management and succession planning for executive officers.

For a complete description of the Corporation's system of corporate governance with specific reference to the TSX guidelines, please consult our annual Management Information Circular, which is available on SEDAR at www.sedar.com.

CORPORATE VALUES

Though our business may change from year to year, Sleeman is committed to a set of core values that guides our actions in everything we do in all aspects of day-to-day business. These include:

1. An unwavering commitment to quality and excellence;
2. Honesty, integrity and ethics;
3. Personal development and empowerment;
4. Innovative entrepreneurial abilities, actions and spirit;
5. Treating people with fairness and respect, and as partners in the enterprise;
6. A healthy work/home life balance;
7. Passion and loyalty; and
8. Open communication and teamwork.

COMMUNITY INVOLVEMENT

In addition, Sleeman recognizes the importance of community and the Company's responsibilities. In the past year, Sleeman has supported, among others, the following community and educational endeavours on an on-going basis:

- The University of Guelph
- The Guelph General Hospital
- The Oakville-Trafalgar Memorial Hospital
- The Duke of Edinburgh's Foundation
- The Upper Canada - 2002 Writers' Craft Award
- The Politics and the Pen
- The Toronto International Film Festival
- The Alzheimer's Society
- Ducks Unlimited Canada

Corporate and Investor Information

Corporate Office

Sleeman Breweries Ltd.
551 Clair Road West
Guelph, Ontario
N1L 1E9
Tel: 1-800-BOTTLES
Fax: 519-822-0430

Independent Auditor

Deloitte & Touche LLP, Kitchener

General Counsel

Fraser Milner Casgrain LLP, Toronto

Stock Trading Symbol

Toronto Stock Exchange - ALE

Investor Relations Contact

Dan Rogozynski,
Vice President, Finance & Administration
Sleeman Breweries Ltd.
Tel: 519-826-5494
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Email: sleemanir@sleeman.ca
IR Website: www.ale-sleeman.com

Transfer Agent & Registrar

Computershare Trust Company
100 University Avenue
8th Floor
Toronto, Ontario
M5J 2Y1
Tel: 416-981-9500

Annual Meeting

The Annual Meeting of Shareholders will be held at:
The Ontario Club
30 Wellington Street West
Commerce Court South, 5th Floor
Toronto, Ontario
On Wednesday, May 14, 2003 at 4:00 p.m. (ET)


SLEEMAN
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IMPORTÉE
DU DÉPANNEUR.

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